

BDAC LETTERS AND RESPONSES

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Mike Heaton, Roger Strelow, and Tib Belza
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I am writing to comment on the 4/1 draft of a CALFED Water Transfer Element of the Water Policy Framework. My comments are in the nature of application of the March 24 memorandum entitled "How Can a water Market Best Serve California?". Copy attached. That "white paper" was prepared at the suggestion of Sunne McPeak. Copies were sent to Lester, Tom Graff, Roger Strelow, Byron Buck, CFBF, and others. I find that some recipients have made further distribution. I request that you provide copies to members of the BDAC Water Transfer Work Group.

I propose that the first two paragraphs of that memo be made part of the introduction to the Water Transfer Element. The statements in the 4/1 draft introduction should then acknowledge that the benefits described therein have to do with trades and not with a water benefit to all parties:

- 1) A transfer may provide improved reliability for the buyer and decreased reliability for the seller or some other party, in return for compensation to the seller.
- 2) A transfer may improve water quality for the buyer while decreasing quality for the seller, or some other party, in return for compensation to the seller.
- 3) Water transfers are only sometimes "linked to water use efficiency". They do not necessarily lead "to higher value uses". It may instead be a benefit to the buyer and seller at the expense of higher social values that are not protected by market forces. This can only be avoided if the market forces are required to operate within boundary conditions which protect those values, just as land zoning puts boundary conditions on sales of land.

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Page 2
April 9, 1998

The 4/1 draft correctly states that CALFED will not be in the business of directly buying or selling water. However, CALFED is proposing that transfers be promoted to reallocate the use of water to the benefit of fish and of buyers and sellers. To avoid redirected and third party impacts, and to protect social interests that are not protected by market forces, the CALFED must only promote market transfers within boundaries that protect those interests. The draft transfer element gives very little attention to those protections, and they will only be protected if their protection is a clear objective and protections are clearly provided.



Alex Hildebrand